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Message Text

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UNCLAS SECTION 1 OF 2 ISLAMABAD 5576

PASS AGRICULTURE

E.O. 11652: N/A
TAGS: PAK, EAID, EAGR
SUBJ: PL 480 TITLE 1, TRIMESTER REVIEW

BEGIN SUMMARY: FIRST US/GOP TRIMESTRAL MEETING ON PL 480 HELD AT JOINT SECRETARY LEVEL. THE AGENDA CONSISTED OF DISCUSSIONS ON WHEAT RESTRICTIONS, PRICING POLICY, DISTRIBUTION SYSTEM AND STORAGE AND HANDLING AS WELL AS EDIBLE OIL PRODUCTION AND PROJECTED IMPORT NEEDS. THE GOP DOES NOT VIEW CURRENT RESTRICTIONS ON WHEAT MOVEMENTS AS A DISINCENTIVE AND AGREED TO DISCUSS ITS POSITION MORE FULLY AT ANOTHER MEETING TO BE SCHEDULED WITHIN TWO WEEKS. THE GOP BELIEVES THE PRESENT PROCUREMENT PRICE-37 RS./MAUND, UNCHANGED FOR THREE YEARS - IS ADEQUATE BUT WILL REVIEW THE SITUATION AGAIN PROBABLY IN AUGUST. IT WAS AGREED THAT THE STORAGE SITUATION COULD BE BETTER AND FURTHER DISCUSSIONS ON STORAGE WILL BE HELD. ON EDIBLE OILS, THE GOP STRATEGY CALLS FOR VERY LARGE INCREASES IN OIL SEEDS AND THE LARGE SCALE INTRODUCTION OF SUNFLOWER AND SAFFLOWER SEEDS. THE MEETING WAS USEFUL EXCHANGE OF VIEWS AND POINTS THE WAY TOWARS CLOSER COOPERATION BETWEEN OURSELVES AND THE GOP ON WHEAT AND EDIBLE OIL POLICY. END SUMMARY.

1. PURSUANT TO THE DECEMBER 22, 1977 TITLE 1 AGREEMENT THE FIRST TRIMESTER REVIEW MEETING WAS
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HELD JUNE 4. U.S. MISSION PARTICIPANTS CHAIRED BY ARTHUR M. HANDLY INCLUDED AG ATTACHE, EMBASSY ECON AND USAID PERSONNEL. EAD JOINT SECRETARY MASUD MUFTI LED GOP REPRESENTATIVES FROM MIN. OF AGRICULTURE, MIN. OF INDUSTRIES AND PAKISTAN EDIBLE OIL CORPORATION.

2. BY PRIOR AGREEMENT, AGENDA OF MEETING WAS LIMITED

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TO FOLLOWING ITEMS ON WHEAT AND EDIBLE OIL:
A. WHEAT: RECENTLY ANNOUNCED GOVERNMENT
RESTRICTIONS ON MARKETING OF WHEAT:; GOP PROCUREMENT
PRICE POLICY; PUBLIC SECTOR WHEAT DISTRIBUTION; AND
GRAIN STORAGE AND HANDLING.
B. EDIBLE OIL. SIZE OF PROJECTED EDIBLE OIL GAP
AND GOVERNMENT EFFORTS TO MINIMIZE SERIOUS,
GROWING DRAIN ON FOREIGN EXCHANGE RESOURCES.

3 . IN OPENING REMARKS, HANDLY STATED OVERRIDING U.S.
CONCERN IS THAT LARGE TITLE I PROGRAM (DOLS67.7 MILLION ANNUALLY
OVER LAST 6 YEARS) SUPPORT AND ENCOURAGE GOP EFFORTS TO
EXPAND DOMESTIC FOOD PRODUCTION. UNDER PL 480 LEGISLATION,
U.S. SECRETARY OF AGRICULTURE MUST CERTIFY (BASED ON
A DETERMINATION OF THE U.S. MISSION IN PAKISTAN) THAT
TITLE I IMPORTS ARE (A) NOT A SUBSTANTIAL DISINCENTIVE TO
DOMESTIC PRODUCTION AND (B) CAN BE ADEQUATELY STORED AND
TRANSPORTED. RECENTLY ANNOUNCED MARKETING RESTRICTIONS-
REPRESENT, IN OUR VIEW, A DISINCENTIVE TO THE FARMER TO EXPAND PRODUCT

ION
AND APPLY OPTIMUM AMOUNTS OF FERTILIZER. RESTRICTION ON MOVEMENT
HAS, IN EFFECT, CONVERTED 37 RUPEE PER MAUND PROCUREMENT PRICE (IN
EFFECT FOR 3 SEASONS) INTO A CEILING, THUS DISADVANTAGING
THE SMALLER PRODUCER WHO CANNOT WAIT TO MARKET HIS CROP.
HANDLY ALSO STATED THAT IN ORDER TO FURTHER IMPROVE THE TITLE I,
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PROGRAM WE NEED MORE AND BETTER DATA ON PRODUCTION, RATION SHOP
DISTRIBUTION, ETC. MORE IMPORTANTLY, WE BELIEVE THAT GIVEN
THE IMPORTANCE OF WHEAT TO GOP (ROUGHLY DOLS300 MILLION
GOP PROCUREMENT ANNUALLY) THE PLANNING AND MANAGEMENT OF PROCUREMENT,
PRICE POLICY, STORAGE, IMPORTS, ETC. REQUIRES MORE EXTENSIVE AND HIGHER

QUALITY DATA GATHERING, ANALYSIS AND MANAGEMENT.

4. IN RESPONSE, MUFTI NOTED THAT SELF SUFFICIENCY IN WHEAT
IS GOVERNMENT GOAL AND THAT IN GOP VIEW, MARKETING RESTRICTION
AND MAINTENANCE OF CURRENT SUPPORT PRICE WERE NOT
DISINCENTIVES. HE CITED PRODUCTION FIGURES DATING
BACK TO PAKISTAN FY 1974/75 AS SUPPORT FOR
HIS POSITION. HE ALSO STATED THAT RESTRICTIONS ON
MOVEMENT WERE TEMPORARY AND ARE DESIGNED NOT ONLY TO
EXPEDITE PROCUREMENT (AS EXPECTED, NOW RUNNING IF
AHEAD OF LAST YEAR) BUT TO MINIMIZE SMUGGLING. RE
PRICE POLICY, HE AGREED THAT ADEQUACY OF PRICE SHOULD BE
EXAMINED CAREFULLY, BUT IT IS GOP BELIEF THAT UP TO PRESENT
TIME CURRENT PROCUREMENT PRICE HAS BEEN ADEQUATE. (HE
QUOTED GOP FOOD DEPARTMENT STUDY SHOWING CURRENT

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FARMER PROFIT IS 10/11 RUPEES PER MAUND.) HE STATED
GOP WILL REVIEW PRICE PRIOR TO SOWING, PROBABLY IN AUGUST
1978.

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5. IN CONNECTION WITH EFFORTS TO REDUCE THE NUMBER OF
BOGUS RATION CARDS AND REVERSE TREND OF INCREASING RATION
SHOP OFFTAKE, MUFTI, ADVISED THAT CAMPAIGN NOW IN PROGRESS
HAS TO DATE RESULTED IN WITHDRAWAL OF ABOUT 716,000 RATION
CARDS NATIONWIDE. (OF THESE, 596,000, PRIMARILY IN PUNJAB,
REPRESENT AN AVERAGE OF 5 CONSUMERS EACH.) FURTHER
INFORMATION ON THIS EFFORT WILL BE PROVIDED TO USAID BY THE GOP.

6. IN RESPONSE TO COMMENT ON THE INADEQUACY
OF PUBLIC V.S. PRIVATE SECTOR GRAIN STORAGE
CAPABILITY, MUFTI AGREED PROBLEMS EXIST, AND THE
GOVERNMENT WAS ATTEMPTING TO OVERCOME THEM, AND
SUGGESTED THAT A SEPARATE MEETING BE SCHEDULED -
POSSIBLY WITH CANADIAN PARTICIPATION - TO REVIEW THE
SITUATION.

7. DISCUSSION MOVED TO EDIBLE OIL. GOP DISAGREED
WITH MISSION ESTIMATE OF IMPORT GAP REACHING 400,000
METRIC TONS IN 1982/83 (COMPARED TO ROUGHLY265,000
METRIC TONS IN 1977/78). THEY BELIEVE GAP CAN BE HELD
TO PRESENT FIGURE BY SUBSTANTIAL INCREASES IN TRADITIONAL
OILSEED CROPS (COTTONSEED, RAPE AND MUSTARD) AND RAPID
EXPLOITATION OF NEW OILSEED CROPS, PRIMARILY SUNFLOWER,
SAFFLOWER AND SOYBEAN. A 7.5 MILLION RUPEE PILOT PROJECT
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UNDER THE GUIDANCE OF PEOC NOW IN UNDERWAY TO EXPAND
PRODUCTION AND TEST VARIETIES OF THE NEW OILSEEDS. THE
PROJECT ENCOMPASSES PROVISION OF QUALITY SEED, FERTILIZER
AVAILABILITY, ADEQUATE PROCUREMENT PRICES, AND GUARANTEED
PURCHASE OF CROPS. DEVELOPMENT OF A SELF POLLINATING
SUNFLOWER SEED IS A PRIORITY OBJECTIVE OF THE PILOT PROJECT.
ON THE BASIS OF DATA ESTABLISHED FROM THE PILOT EFFORT
IN THE NEXT TWO YEARS, THE GOP BELIEVES THE
NONTRADITIONAL CROPS WILL BE ABLE TO PRODUCE 100,000
TONS OF EDIBLE OIL BY 1982/83.

8. COMMENT: THE MEETING DEMONSTRATED THAT WE
AND MANY GOP OPERATING OFFICIALS HAVE DIFFERENT PERCEPTIONS OF THE
EFFECT THE
MARKETING RESTRICTION AND PRICE POLICY HAVE HAD (AND ARE
LIKELY TO HAVE) ON FARMER WILLINGNESS TO GROW MORE WHEAT.
SINCE THIS WILL BE A CRUCIAL POINT IN ANY FUTURE PL 480 TITLE
I NEGOTIATION, WE AGREED THAT FOLLOW UP MEETINGS SHOULD BE
HELD IN THE NEAR FUTURE WHERE BOTH POINTS OF VIEW CAN BE
PRESENTED IN MORE DETAIL. IN PARTICULAR, WE HAVE REQUESTED
THE DATA FROM WHICH THE GOP POSITION IS DERIVED. MUFTI
READILY AGREED TO MAKE THIS AVAILABLE.
OF EQUAL IMPORTANCE, MUFTI REQUESTED AND WE AGREED TO
PROVIDE GOP WITH SUGGESTED DATA AND INFORMATION BASE
NECESSARY FOR RESPONSIBLE DECISION MAKING IN MARKETING,
PRICE POLICY AND STORAGE. WE WILL CONTINUE TO MAKE EVERY
EFFORT TO ENCOURAGE AND ASSIST THE GOP TO CARRY OUT THE
KIND OF IN-DEPTH RESEARCH AND ANALYSIS ON A WHOLE
RANGE OF WHEAT PRODUCTION AND MARKETING ISSUES
NECESSARY FOR GROWTH ORIENTED POLICIES.
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